

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 EB-08 L-03 SP-02 SS-15 H-01 INR-07

PA-01 PRS-01 SSO-00 INRE-00 /048 W

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O 270650Z APR 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 7276

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EA FOR HOLBROOKE AND HEGINBOTHAM; EB FOR BARRACLOUGH

E.O. 11652: N/A

TAGS: ETRD JA

SUBJECT: TV NEGOTIATIONS

REF: STATE 093306

1. SUMMARY. WE ARE CONCERNED THAT COLOR TV NEGOTIATIONS WITH JAPAN APPEAR TO HAVE REACHED IMPASSE. JAPANESE INTERPRET U.S. POSITION IN LAST ROUND OF TALKS AS MAJOR BROADENING OF DEFINITIONS OF PRODUCTS COVERED WHILE HOLDING TIGHT LID ON QUOTA AGGREGATE. PRIME MINISTER FUKUDA IS PERSONALLY COMMITTED TO SUCCESSFUL CONCLUSION OF THESE TALKS ON BASIS OF HIS MEETING WITH PRESIDENT BUT CURRENT PERCEIVED U.S. POSITION WOULD CAUSE HIM DIFFICULTY. END SUMMARY.

2. FOREIGN MINISTRY OFFICIALS HAVE CONVEYED IMPRESSIONS OF LAST ROUND OF CTV NEGOTIATIONS TO EFFECT THAT U.S. SIDE INTRODUCED A DEFINITION OF CTVS WHICH WOULD, IN ADDITION TO BUILT-UP TVS, INCLUDE KITS AND ALL COMPONENTS WHICH INCLUDE A PRINTED CIRCUIT BOARD. THIS DEFINITION IS APARENTLY DESIGNED TO SOLVE PROBLEM OF LIMITED OFFICIAL USE

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LOOPHOLE WHICH COULD ARISE IF JAPANESE EXPORTERS SIGNIFICANTLY INCREASED SHIPMENTS OF COMPONENTS FOR ASSEMBLY IN U.S.

3. JAPANESE CAME AWAY FROM WASHINGTON WITH THE IMPRESSION THAT SHIPMENTS IN LATTER CATEGORY WOULD BE CHARGED TO SEPARATE QUOTA, WHILE BUILT-UP TVS WOULD

BE LIMITED TO ONE MILLION SETS. SUCH A SETTLEMENT WOULD GO FAR BEYOND U.S. POSITION AS UNDERSTOOD BY PRIME MINISTER AFTER HIS VISIT TO WASHINGTON OR BY JAPANESE NEGOTIATORS FOLLOWING VISIT OF STR STRAUSS.

4. FOREIGN MINISTRY OFFICIALS TELL US THAT, AFTER HIS OFFICIAL VISIT, FUKUDA RETURNED TO TOKYO AND ASSURED CABINET AND KEY DIET MEMBERS THAT A SATISFACTORY SETTLEMENT OF COLOR TV QUESTION COULD BE CONCLUDED. HE HAS CONSISTENTLY FAVORED CLOSEST POSSIBLE TIES WITH THE U.S. AND HIS POLICY OF FRIENDSHIP WITH THE U.S. IS IMPLICITLY BASED ON THE IDEA THAT IT SERVES JAPANESE INTERESTS. FORNMIN OFFICIALS SAY THE AGREEMENT WE NOW SAY WE WANT COULD NOT BE DEFENDED BY THE PRIME MINISTER AS "SATISFACTORY".

5. EMBASSY HAS CONVEYED SUBSTANCE OF REFTEL TO FOREIGN MINISTRY. JAPANESE INITIAL REACTION IS THAT U.S. POSITION HAS SHIFTED AND IS NOT AS HARSH AS THEY THOUGHT. WE UNDERSTAND MASUDA WILL NOT BE AVAILABLE FOR TALKS ON MAY 3-4 BUT JAPANESE WILL PROBABLY AGREE TO RESUMPTION OF TALKS AT LOWER LEVEL IN TOKYO DURING FIRST WEEK OF MAY. WE EXPECT TO HAVE FULL RESPONSE FROM FOREIGN MINISTRY ON APRIL 28 (JAPAN TIME) AND WILL REPORT SEPARATELY TO ALL U.S. AGENCIES.

6. MITI OFFICIALS WHO PARTICIPATED IN WASHINGTON TALKS HAVE TOLD US THAT SUBSTANTIALLY COMPLETED SET ISSUE HAS RAISED SERIOUS QUESTIONS ABOUT U.S. POLICY TOWARDS FOREIGN LIMITED OFFICIAL USE

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DIRECT INVESTMENT IN U.S. IN IMMEDIATE FUTURE, SONY AND MATSUSHITA WILL HAVE TO RETHINK PLANS TO EXPAND U.S. PRODUCTION FACILITIES AND MAY EVEN CONSIDER WITHDRAWING PRESENT INVESTMENT WHICH WOULD COST US ABOUT 5,000 JOBS. ON BROADER SCALE, MITI OFFICIALS FEAR THAT OTHER JAPANESE INDUSTRIES, E.G., AUTOMOBILES, WHO ARE CONTEMPLATING INVESTING IN U.S. WILL INTERPRET TV RESTRICTIONS AS SIGNAL THAT U.S. INTENDS TO CONTROL PACE AND TYPE OF FOREIGN INVESTMENT. WORKING LEVEL OF MITI OFFICIALS WERE ALSO, BY THE WAY, EMBARRASSED TO HAVE EXPANDED DEFINITION PROBLEM RAISED WITHOUT ADVANCE NOTICE ONLY AFTER MASUDA ARRIVED IN WASHINGTON.

7. COMMENT: JAPANESE RETURNED FROM WASHINGTON IN A STATE OF SHOCK AT WHAT THEY UNDERSTOOD U.S. POSITION ON "SUBSTANTIALLY COMPLETED SETS" TO BE. THEY RECOGNIZE THAT EXPANSION OF EXPORTS OF PRODUCTS CLOSE TO BUT NOT WITHIN CATEGORIES DISCUSSED WITH STR STRAUSS WOULD CREATE A SERIOUS PROBLEM, BUT WOULD MUCH PREFER TO HANDLE THAT

BY GIVING GENERAL ASSURANCES. THEY SIMPLY CANNOT ACCEPT  
CUT FROM 2.7 MILLION BUILT-UP TVS TO 1.1 MILLION.

8. WE FEAR THAT THE MORE WE TRY TO REFINE DEFINITIONS  
TO ANTICIPATE EVERY LOOPHOLE, THE MORE WE OPEN OURSELVES  
TO CHARGES OF BAD FAITH AND THE MORE DEEPLY IMMERSED WE  
WILL BECOME IN A CONTROL SYSTEM NO ONE CAN MANAGE. WE  
HOPE NEXT ROUND OF NEGOTIATIONS CAN DE-EMPHASIZE PROBLEM  
OF "SUBSTANTIALLY COMPLETED" SETS AND COVER LOOPHOLE  
QUESTION BY AN EXCHANGE OF ASSURANCES THAT NORMAL TRADE  
PATTERNS WILL BE MAINTAINED IN RELATED PRODUCTS AND  
COMPONENTS.  
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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
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